World Bank Assistance

*297. SHRI KARNENDU BHATTACHARJEE: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have requested the World Bank to step up its assistance for India; and

(b) if so, what are the areas where the World Bank is expected to extend its assistance for development?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) The Country Strategy of the World Bank drawn out in consultation with the Government of India envisages an upscaling of the Bank's lending through International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) credits to about US$ 3 billion per annum over the four years (July 2004-June 2008).

(b) The Bank lending would be utilized for sectors mutually agreed between the Government and the World Bank for Country Strategy (July 2004-June 2008) with focus on infrastructure, human development and rural livelihoods.

Merger of Banks and Insurance Companies

*298. SHRI AMAR SINGH:
SHRI ABU ASIM AZMI.

Will the Minister of FINANCE be pleased to state:

(a) whether Government have decided to merge all the public sector banks into five to six major banks;

(b) whether the public sector insurance companies are also likely to be merged into one or two major companies;

(c) if so, what are the details thereof; and

(d) what is the rationale behind this merger ?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) and (b) The initiatives for consolidation/merger has to come from the management of the banks and Insurance Companies themselves. No directive on consolidation has been issued by the Government.

(c) Does not arise.

(d) So far as consolidation/merger of banks is concerned, it would allow economics of scale in terms of footprint, manpower and other resources. Having Indian Banks of a larger size would enable them to face competition arising from internationalization of the economy. Larger size also entails better management of risk. Small and weak banks pose systemic risks with their low capital adequacy ratio and high NPA's. Consolidation is a timely response to augment efficiency which would lead to income generation and add to GDP of the country. However, such decision should be based on business synergies of merging/consolidating entities.

Use of Royalty on Crude Oil

*299. SHRI LEKHRAJ BACHANI: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the royalty on crude oil received by State Governments is used for entire State;

(b) if not, whether provision is made for the development of the area from where it is produced or found; and

(c) what is Government's reaction thereto?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) to (c) Royalty on crude oil is payable in terms of the provisions of Oil Fields (Regulation and Development) Act, 1948 and Petroleum & Natural Gas Rules, 1959, framed thereunder. Royalty on on-land production is paid to the concerned State Government and the proceeds are credited to the Consolidated Fund of the State concerned. The Oil Fields (Regulation and Development) Act, 1948 and Petroleum & Natural Gas Rules, 1959 do not prescribe the manner of utilization of royalty proceeds by the State Government. These are, therefore, utilized by the recipient State Government like any other general revenues acquiring to it.